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**2008 MICHIGAN Business Tax Loss Adjustment Worksheet
for the Small Business Alternative Credit**

Issued under authority of Public Act 36 of 2007.

Taxpayer Name (If Unitary Business Group, Name of Designated Member)	Federal Employer Identification Number (FEIN) or TR Number
Unitary Business Groups Only: Name of Unitary Business Group Member Reporting on This Form	Federal Employer Identification Number (FEIN) or TR Number

INSTRUCTIONS: Use this worksheet to qualify for an otherwise disallowed Small Business Alternative Credit by adjusting current year adjusted business income. This is available only if a taxpayer had a negative adjusted business income in any of the five tax years immediately preceding this tax year and received a Small Business Credit or Small Business Alternative Credit in the loss year. Partnerships and members of unitary groups, see instructions. Each Unitary Business Group member with a disqualifier must complete this form.

*** Note:** If compensation exceeds \$180,000 for any C corporation shareholder or officer, a Small Business Alternative Credit cannot be claimed nor can a loss adjustment be used to reduce compensation from Form 4577, column L.

PART 1: CURRENT YEAR AMOUNTS

Use this section to determine amount of loss adjustment to business income needed to qualify for the Small Business Alternative Credit.

Business Income Disqualifier: \$1,300,000 (\$180,000 for individuals)

1. Adjusted Business Income from Form 4571, line 8.....	1.	00
2. Business Income Disqualifier	2.	00
3. Loss Adjustment. Subtract line 2 from line 1. If less than zero, enter zero.....	3.	00

Shareholder Compensation Disqualifier: \$180,000

4. Enter the amount from Form 4571, line 5c.....	4.	00
5. Shareholder Compensation Disqualifier	5.	00
6. Enter compensation and director fees from Form 4577, column L, of the shareholder creating the disqualifier or reduction*	6.	00
7. Subtract line 6 from line 5. If less than zero, enter as a negative number.....	7.	00
8. Divide line 7 by the percent of ownership from Form 4577, column G, for the shareholder on line 6.....	8.	00
9. Loss adjustment. Subtract line 8 from line 4.....	9.	00

PART 2: AVAILABLE LOSS

Read instructions before completing Part 2. Use Part 2 to determine the loss available from the five preceding periods. Do not enter a negative sign in front of the loss amount.

Complete lines 10 through 16 one column at a time. Complete only columns for periods that reported a loss AND received a Small Business Credit or Small Business Alternative Credit.

10. Tax year end date (MM-DD-YYYY)					
11. Adjusted business income.....					
12. Loss used					
13. Loss available.....					
14. Loss adjustment					
15. Remaining loss adjustment					
16. Loss carryforward					

Instructions for Form 4575, Michigan Business Tax (MBT) Loss Adjustment Worksheet for the Small Business Alternative Credit

Fiscal Year Filers: See “Supplemental Instructions for Initial Fiscal MBT Filers” on page 133.

Purpose

To reduce the adjusted business income to qualify for the Small Business Alternative Credit or minimize the reduction percentage required.

If the adjusted business income was less than zero in any of the five years immediately preceding the tax year for which a credit is being claimed, and the taxpayer received an Alternate Small Business Credit under the Single Business Tax (SBT) or Small Business Alternative Credit under MBT for that same year, the taxpayer may adjust for the loss before figuring eligibility for the Small Business Alternative Credit. A loss adjustment will not affect a reduction to the Small Business Alternative Credit based on gross receipts that exceed \$19,000,000. Also, it will not change the amount of compensation in column L for a C Corporation on the *MBT Schedule of Shareholders and Officers* (Form 4577).

Tax Year Less Than 12 Months: Business income and shareholder disqualifiers must be calculated on an annualized basis. Enter annualized numbers on lines 1, 4, and 6.

Special Instructions for Unitary Business Groups

Gross receipts and adjusted business income thresholds must be calculated by the Unitary Business Group (UBG) by combining the gross receipts and adjusted business incomes of its members. Disqualifiers based on shareholder or partner allocated income must be determined on a separate entity basis. If any shareholder or partner has allocated income in excess of \$180,000, the loss adjustment must be calculated on a separate entity basis for any and all entities for which it may apply.

If the UBG's adjusted business income is below the threshold but one or more members exceed the shareholder compensation threshold, only those members with shareholder compensation disqualifiers must file a Form 4575, using member-only figures in lines 4 through 16 on each member form.

If the UBG's adjusted business income exceeds the threshold, one Form 4575 must be filed to determine the UBG's business income loss adjustment (the “GROUP COPY FOR ABI” form, see below), and supporting 4575 forms must be filed by each member who has a loss adjustment available from previous years (member forms). For members who do not exceed the credit's shareholder compensation threshold, only Part 2 of Form 4575 needs to be completed on the member form. For members who exceed the credit's shareholder compensation threshold, lines 4 through 16 of the member form must be completed. Member forms must be completed using member-only figures.

Shareholder Compensation Disqualifier

Any member whose shareholder compensation creates a partial or complete disqualification, and that has loss adjustment available to resolve that disqualification in whole or in part, must file Form 4575. Leave lines 1 through 3 blank. Complete

line 4 (using a pro forma figure) and lines 5 through 13, all with data for the reporting member only. If no group adjusted business income disqualifier exists, apply line 14 instructions as if they made no reference to line 3.

NOTE: Line 14 of Form 4575 will contain the amount of available loss from each member that must be used from each tax year end to satisfy the member's shareholder compensation disqualifier and/or the group's adjusted business income disqualifier.

If the UBG does not exceed the adjusted business income threshold, follow the line-by-line instructions to determine how much of each member's loss adjustment must be used in line 14, and then complete lines 15 and 16 of each member form. If the UBG exceeds the adjusted business income threshold, follow line-by-line instructions for line 14 and enter the amount of the member's loss adjustment used to offset the shareholder compensation disqualifier on the member form. This is a preliminary number only. Before completing the remainder of the member form, first fill out the “GROUP COPY FOR ABI” form (see below).

NOTE: If any member still has a total disqualification on this basis (greater than \$180,000) after completing its own Form 4575 as described above, the UBG is disqualified from the Small Business Alternative Credit. Do not proceed with these instructions. However, if each member's disqualification is fully resolved or reduced to a partial disqualification by this method, continue below to compute the adjusted business income loss adjustment required.

Adjusted Business Income Disqualifier

This disqualifier is calculated at the group level. If the UBG has adjusted business income in excess of \$1,300,000, every member that has available loss adjustment must file Form 4575. Any member that did not have a shareholder compensation disqualifier needs to complete Part 2 of Form 4575 only.

In addition, file a group-wide Form 4575 to organize the group's data for this disqualifier. Enter the DM's name and Federal Employer Identification Number (FEIN) or Treasury (TR) assigned number on the first line and “GROUP COPY FOR ABI” for the name on the second line, and leave FEIN or TR Number blank. On this group copy of Form 4575, enter group-wide data for lines 1 through 3. Leave lines 4 through 8 blank and enter on line 9 the combined amount of loss adjustment from all members who calculated an offset to their shareholder compensation disqualifier. If the combined figure on line 9 is bigger than the figure on line 3, leave Part 2 of the group form blank. The loss adjustment already calculated on a member basis is sufficient to offset the group's adjusted business income disqualifier also. No further adjustment is necessary. Otherwise, combine the loss adjustments of all members (by filing period) in lines 10 through 13. If no shareholder disqualifiers existed for any member, apply line 14 instructions as if they made no reference to line 9. Otherwise, on line 14 of the group form, first

enter the total amount of loss from each previous tax year end needed by each member who had a shareholder compensation disqualifier in the current year. This is a preliminary number only. Continue by adding to the amounts already on line 14 of the group form the remaining amount of loss to be used from each tax year that is necessary to match the UBG's total on line 3, beginning with the oldest tax year first.

If the UBG members do not share common year ends, create and attach a table comparable to that found in lines 10 through 16 (this table will have more than five tax year end columns). Include a column for every member's year ends, and arrange all the columns in chronological order. Apply to that custom table the calculations described in the form text and instructions for lines 10 through 16.

Once the group's Form 4575 is completed, complete each member's Form 4575, lines 14 through 16. If the UBG's Form 4575, line 3 is smaller than line 9, then proceed to complete lines 15 and 16 of the member form(s) according to the line-by-line instructions. Otherwise, to the preliminary amounts already on line 14 of the member form, add the proportional member's loss adjustment* used in each tax year end needed to offset the UBG's adjusted business income disqualifier. Complete lines 15 and 16 of the member form according to the line-by-line instructions.

NOTE: If the UBG still has a total disqualification on this basis (greater than \$1,300,000) after completing the group's Form 4575 as described above, the UBG is disqualified from the Small Business Alternative Credit. Do not proceed with these instructions.

Aging Issues for the ABI Disqualifier

For the ABI disqualifier, typically the oldest loss adjustment available from any member is used first. However, if a member used its loss adjustment to resolve its shareholder compensation disqualification, that member's used loss adjustment must be treated as used against the UBG's ABI disqualifier, even though another member without a shareholder compensation disqualification has older loss adjustment available.

*Proportional member's loss adjustments:

When the total amount of member loss adjustment for a single tax year exceeds the amount needed to offset the UBG's adjusted business income disqualifier, the portion of loss adjustment for that tax year used by each member to offset the group's disqualifier must reflect the proportion of each member's total loss adjustment for that tax year with respect to the total loss adjustment available to the UBG for the same tax year.

Line-by-Line Instructions

Lines not listed are explained on the form.

Dates must be entered in MM-DD-YYYY format.

Name and Account Number: Enter name and account number as reported on page 1 of the *MBT Annual Return* (Form 4567).

UBGs: Complete one form for each member for whom this schedule applies. Enter the Designated Member (DM) name in the Taxpayer Name field and the member to whom the schedule applies on the line below. For the form that determines the

UBG's business income loss adjustment, enter the DM's name and FEIN in the first identification line, and "GROUP COPY FOR ABI" and no FEIN in the second identification line.

PART 1: CURRENT YEAR AMOUNTS

Use Part 1 to determine the amount of loss adjustment necessary to qualify for the Small Business Alternative Credit.

If a taxpayer is not eligible for the credit because the adjusted business income exceeds \$1,300,000 (\$180,000 for individuals), complete lines 1 through 3.

If a taxpayer is not eligible because a shareholder's allocated income exceeds \$180,000, or a partner's distributive income exceeds \$180,000, complete lines 4 through 9 for the shareholder(s) or partner(s) creating the disqualifier.

A taxpayer may need to calculate both if there is more than one disqualifier. Complete lines 4 through 9 for each shareholder or partner who creates a disqualifier. The loss adjustment required is the largest amount needed to eliminate all disqualifiers.

NOTE: A member of a Limited Liability Company (LLC) is characterized for MBT purposes as a partner, shareholder or owner, based on the federal characterization of the LLC. An LLC taxed as a Partnership for federal purposes must file as a Partnership for MBT. Similarly, an LLC taxed as a Corporation for federal purposes must file as a Corporation for MBT.

Reduced Small Business Alternative Credit. A reduction of the Small Business Alternative Credit is required if an Individual, a partner in a Partnership or shareholder or officer of a Corporation has allocated income after loss adjustment of more than \$160,000. This reduction is based on the Individual/partner/officer/shareholder with the largest allocated income.

Complete lines 4 through 9 for the shareholder or partner creating the need to reduce the Small Business Alternative Credit.

Form 4575 should always be calculated initially using \$160,000 on line 5. This calculation will establish taxpayer eligibility without the need to reduce the Small Business Alternative Credit. However, if the total loss available for the current year on line 13 does not equal or exceed the loss adjustment required on line 9, the taxpayer may still calculate a lesser loss adjustment to claim a reduced credit.

Try the calculation more than once. Substitute the numbers shown on the chart below on line 5, in order to maximize the claimed Small Business Alternative Credit:

Line 5	Eligible % of Credit
\$ 160,000	100% - no reduction
\$ 160,001 - \$164,999	80%
\$165,000 - \$169,999	60%
\$170,000 - \$174,999	40%
\$175,000 - \$180,000	20%

Form 4575 is formatted for Corporations. To use it for a Partnership, make these changes:

- Enter on line 6 any guaranteed payments made to the partner creating a \$180,000 disqualifier.

- On line 8, divide by the percentage of ownership from column C of the *MBT Schedule of Partners* (Form 4578).

PART 2: AVAILABLE LOSS

Use Part 2 to determine the loss available from the five preceding periods. Do not enter a negative sign in front of the loss amount.

Complete lines 10 through 16 one column at a time. Complete only columns for periods that reported a loss AND received a Small Business Credit or Small Business Alternative Credit.

Line 10: Enter each tax year end date for periods where loss occurred. Begin with the earliest year in the left column.

Line 11: Enter the adjusted business income from the *SBT Credit for Small Businesses and Contribution Credits* (Form C-8000C), line 9, for each SBT tax year that reported a loss AND received a Small Business Credit in that tax year. For MBT tax periods, enter the negative adjusted business income from the *MBT Common Credits for Small Businesses* (Form 4571), line 8, for tax years where a Small Business Alternative Credit was received.

Line 12: Enter the amount of loss entered on line 11 that was used as an adjustment in a prior period (including loss adjustment used in SBT periods).

Line 13: Subtract line 12 from line 11 to arrive at loss available on the current return. If less than zero, enter zero; no loss is available.

Line 14: Enter the amount from line 3 or line 9, whichever is larger, in the first column where a loss is available on line 13. In subsequent columns, enter amount from line 15 of the previous applicable column.

Line 15: If line 14 is larger than line 13, subtract line 13 from line 14. Enter here and on line 14 of the next column where a loss is available on line 13.

Line 16: If line 13 is larger than line 14, subtract line 14 from line 13. This amount is available to use in subsequent periods.

NOTE: To benefit from a loss adjustment, the total loss available for the current year, line 13, must equal or exceed the loss adjustment required on line 14.

Attach this schedule to the return.